

Labor-Management Cooperation in the Public Sector: Changing the Workplace Culture  
for the 21<sup>st</sup> century

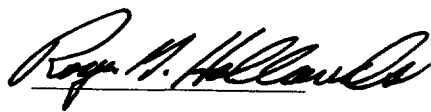
An Honors Thesis (HONRS 499)

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A handwritten signature in black ink, reading "Roger M. Hollands". The signature is written in a cursive style and is positioned above a horizontal line.

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# **Labor-Management Cooperation in the Public Sector**

Changing the Workplace Culture  
For the 21<sup>st</sup> century

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1999

This work is dedicated to  
Paul and Brenda Blair, my parents,  
who have always been there for me throughout the years.

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**Abstract:**

In today's changing global economy, labor unions have found themselves under rising public scrutiny to become competitive and to reduce waste. The goal of this endeavor is to identify the characteristics of successful labor management cooperation. Special attention will be paid to the advantages and disadvantages as seen from labor and management and insight gained through the study of several successful programs. This topic is becoming increasingly important to the survival of public sector unions. In today's changing public sector marketplace of increased competition and privatization, labor-management cooperation has been the primary factor that has helped labor unions change their focus and regain their status as viable, successful, and integral parts of the labor market.

## **Introduction – Setting the Stage:**

“It is incumbent on unions to take the initiative in stimulating, sustaining, and institutionalizing a new system of work organization based upon full and equal labor-management partnerships. Such a system presupposes, of course, partners, prepared to deal with each other as equals in an atmosphere of mutual recognition and respect. For unions, offering such recognition and respect has never been difficult; finding employers willing to reciprocate has been the rub.” Commission on the future of worker-management relations - AFL-CIO. <sup>1</sup>

“Money can be saved and public services greatly enhanced. Elected officials find political incentives in the approach, as do union leaders. Managers and front-line workers can more easily do what they are paid to do, and they gain pride and motivation in the process. The focus on integrating customer service with the vehicle of the labor-management relationship represents a significant departure from the inwardly focused concepts of quality of work life, quality circles and even more productive theories on quality improvement.” Editor’s Introduction to the Special Issue, Public Personnel Management, Spring 1998. <sup>2</sup>

In today’s changing global economy, labor unions have come under rising public scrutiny to become competitive and reduce waste. The goal of this endeavor is to identify the characteristics of successful labor-management cooperation. As a major factor in this effort, special attention will be paid to the advantages and disadvantages of labor-management cooperation as seen from labor and management. Further attention will be paid to the insight gained through the study of several successful programs. This topic is becoming increasingly important to the survival of public sector unions. In today’s changing public sector marketplace of increased competition and privatization, labor-management cooperation has been the primary factor that has helped labor unions refocus themselves and regain their status as viable, successful, and integral parts of the labor market.

In the past, cooperation between American employers and unions has historically been uncommon and short-lived. Recently however, the idea has once again become popular. A far richer understanding of what makes labor-management cooperation succeed or fail is imperative, since without that understanding history may repeat itself. Today’s labor movement is in a time of change. The challenge of today is to learn from our past mistakes; gain understanding, knowledge, and wisdom, from the present; and to apply that knowledge so as to not repeat the mistakes from the past. The value of labor-

management cooperation has been seen since the early days of the labor movement. John L. Lewis, as president of the Congress of Industrial Organizations (CIO) once stated: “I think most people have come to realize that we cannot progress (industrially) without real cooperation between workers and management, and that this can only be brought about by equality in strength and bargaining power of labor and management.”<sup>3</sup>

This was some of the earliest discussion about cooperative programs that came out of organized labor. However, this attitude was not the norm. The early years of labor management relations were characterized by a system of adversarial relationships where each party clearly understood their role. Management made the decisions and labor listened. According to labor, management controlled the power and suppressed the working man who was not allowed to think freely while on the job. This was during the early days of scientific management.

Scientific management is the “one best way” approach. As defined by Frederick Taylor, one of the founders of the movement, scientific management stressed that employee work discretion was to be abolished in order to eliminate inefficiency. In essence, management and their experts knew the best way to organize work processes. “Specialized tasks, job descriptions, and related production standards were formulated by experts; therefore, employees knew precisely what was to be done, how it was to be done, and the exact time allowed to do it.”<sup>4</sup> This was a rigid program where there was little room for creative measure or employee discretion. Taylor further maintained “that employees needed inducements to work hard; therefore, any increase over production standards should be associated with increased pay or wage incentives.”<sup>5</sup> Taylor believed in a system where personal development was not a concern. The principal concern was performing a task for the company in the most efficient manner with the fewest number of employees. Cooperation simply meant, “doing what you were told.”

This produced a management style where freedom was limited. The worker was not autonomous and the supervisors made all the important decisions. Furthermore, many employees lost fulfillment in this system. This environment has never been conducive to the desires and needs of the American worker. American workers clearly want to excel in whatever they do. Their needs for competence, for accomplishment, for pride of craft, and for individual responsibility are permanently ingrained in our national character.



According to Raymond Donavon, former Secretary of Labor for the Reagan Administration; "The fault of U.S. productivity problems lies with employers who religiously follow the outdated precepts of scientific management and bureaucratic organization as though they were engraved in stone."<sup>6</sup>

The public sector has reached a stage where it has become almost inefficient by design. The system perpetuates waste and inefficiency. Many managers have become used to archaic systems of budgeting where expenditure is still based on how much is spent. This leads many in management and government to feel the need to spend all the money allocated to them for fear of not receiving it in the next year. Furthermore, the system has generated an environment where workers are not being fulfilled. The public sector worker of today needs more than a healthy wage to give them job satisfaction. Today's public sector worker is more educated and motivated than ever before. It is "essential to the purpose and goals of a union, to create a workplace climate in which the workers will enjoy job satisfaction derived from the recognition of their desire for dignity and self realization."<sup>7</sup> This increase in the importance of job satisfaction is due to the changing economic conditions and demographics of public sector. According to a recent study published in Public Personnel Management, "it is not surprising that job values have changed over the decades given the dramatic changes in economic, social, technological, and political conditions."<sup>8</sup>

In 1975, for example, surveys of employees found the "type of work" was given highest priority, followed by security and advancement.<sup>9</sup> Today's workforce must adapt to increasing health care costs and the threat of massive layoffs, whereas the workers of the 70's enjoyed job security. By the early 1980s, workers in the U.S. public sector had experienced nearly forty years of prosperity and recurring increases in their standard of living. The environment of the 90's is definitely different than the conditions in previous decades. Today technological changes, such as personal computers, electronic mail, telecommuting, and automation are revolutionizing the workplace. The recent political focus on streamlining government bureaucracies or reinventing government to incorporate the "entrepreneurial spirit" of the private sector has had a major impact on management practices in the public sector." Management is moving increasingly away

from the model of scientific management. Management is shifting its focus towards a more open workplace.

The public sector truly distinguishes itself from the private sector by the composition of its workers. It is believed that since the public sector is in general, more educated, there is a tendency to want and expect more responsibilities:

A comparison of public and private sector workers revealed private sector workers place the highest value on good wages, while public sector workers value interesting work the most... These results suggest employers need to keep in touch with current employee values in order to design jobs, reward systems, and human resource policies that will result in maximum job satisfaction and productivity.<sup>10</sup>

These results were echoed in "The 1994 Worker Representation and Participation Survey" which showed that nearly two-thirds of workers want more say in workplace decisions. Clearly it can be said that today's public sector worker wants more freedom and responsibility in their job. Today's employee wants to feel more invested in their work and that their opinion matters.

These findings are obviously important to management because they affect employee job satisfaction. Progressive management for the 21<sup>st</sup> century needs to survey these needs and find ways to increase job satisfaction. Labor-management cooperation provides a way to increase employee autonomy and personal investment. Management should support these programs because they have a positive impact on absenteeism, turnover, willingness to cooperate, and overall employee moral.

Public sector labor relations are critical to the economy because the public sector composes a large fraction of the labor force. Total public employment as a percent total of U.S. employment has remained fairly steady at between 15 and 16 percent since 1980. Unions represented about 6.4 million state and local government workers in 1997.<sup>11</sup>

From a labor standpoint, the public sector is increasingly important due to its capability to provide a role model for stable labor-management relations. In the private sector growth continues despite declines in manufacturing employment. Therefore stable labor relations are very important to the whole country. According to a recent report by the Bureau of Labor Statistics, the economy is expanding to add 18.6 million new jobs by

2006, compared with a gain of 21 million between 1986 and 1996, with all of this growth occurring in the service sector. This included net gains of 3.6 million in business services, 3.2 million in health services, and 2.3 million in retail trade.<sup>12</sup> The report goes on to state that:

At the major group level, professionals; managers; technicians; and service, marketing, and sales workers all are expected to increase their share of total employment. Meanwhile, occupational groups such as administrative support; precision production, craft and repair; and fabricators, laborers and operators will experience a declining share.<sup>13</sup>

It is clear from these projections that the private service sector labor market will be the major growth market for the 21<sup>st</sup> century. The public sector labor market, however, is increasingly becoming more important by taking the lead in labor management relations. The industrial sector, on the other hand, will see a leveling off from the current decline in manufacturing jobs due to an increase in demand for technology-related manufacturing products.<sup>14</sup>

Public opinion plays a larger part in public sector labor relations due to its inherent design. Public sector employers are held accountable to the vote of the general public. Current public opinion presents a generally mixed view of the public sector.

According to a survey released in Working Together for Public Service, when a random group of New York state residents were polled and asked, "What percentage of public employees in state and local government give an honest day's work for an honest day's pay?" Nearly 70 percent of the respondents believed that public sector employees only work an honest's days work for an honest's days pay fifty percent of the time.<sup>15</sup> When further questioned, "When public employees' performance falls short, do you think it's usually because they're not as dedicated or competent as they should be, or because they don't receive proper motivation and assistance from the heads of their agencies?" The respondents replied that 63% of the time it is because the employees need to receive more direction, assistance, and motivation from their superiors.<sup>16</sup>

These results reveal feelings common with many in the general public. Labor unions are not seen as inherently bad, they are seen as entities in need of reform and public sectors workers are seen as being caught up in a system that allows them to be unproductive.

## **Early Labor-Management Cooperation**

Although the idea of labor management cooperation has gained much popularity lately, it is not a novel idea to the last twenty years. There are several different models of labor management cooperation that have been tried in the past. These include community or area labor management committees (LMCs), process improvement teams (PITs), quality circles, and traditional organizational development

Community or area labor-management committees (LMCs) usually focus on mediating impasses between unions and companies engaged in contract negotiations. Labor-management committees are cooperative arrangements between organized labor and management to fully enlist the talents and energies of both groups to improve the effectiveness of their organizations. These efforts were commonly undertaken at the community level through joint bodies of union, management, and government officials. Their sole goal was to reduce friction between union leaders and managers in order to facilitate smoother contract negotiations and reduce grievances. These early practitioners seldom even considered facilitating direct worker and union-official participation in joint problem solving with management.”<sup>17</sup> They also helped to find solutions to non-contractual issues. LMCs would frequently resolve problems either arising under the interpretation and application of the contract or appearing in the workplace but outside the contract. The success of these committees has varied throughout the years but they tend to be only temporary.

Quality circles follow Deming’s total quality philosophy<sup>18</sup> by allowing those who actually perform the work to solve the operational problems. Quality circles are usually small and deal with ongoing problems. Process improvement teams (PIT) are a variation of quality circles with the purpose of identifying improvements to the processes of production, and another key component of the “quality” movement. PITs are usually large task forces employees who are asked to concentrate on a particular problem.

The traditional “organizational development” strategy is a top down system where the management makes all the initial decisions. The initial focus is on gaining the support of upper-level management. The union is left out of the initial strategy formulation and policy development, as well as the ongoing governance of the process. In essence, “management essentially creates a climate in which it is in the union’s best interest to

either ignore the effort, or worse, openly attack it as a management ploy for union busting.”<sup>19</sup> This is a managerial technique that creates an openly adversarial environment and often leads to bitter labor-management relations.

Early attempts at labor-management cooperation were practical and pragmatic in nature. They often focused on a single goal and were orientated in a top down manner. These early programs tended to fail because they either focused too much on the bargaining agreement or they were not geared enough toward producing total workplace change. A common characteristic of successful programs today is that they focus on tangible issues first, and clearly define the language toward the handling of the collective bargaining agreement. Usually, the bargaining is completely left out of the partnership agreement. This is due to the traditional values of labor management relations where the collective bargaining is the center of power and neither side is willing initially to place this source of power into the hands of a partnership that has not proven itself. Although, some of the bargaining issues such as health-care, may be handled by the group if both management and union agree. Eventually, through the change in culture that occurs, the collective bargaining agreement will be negotiated with less impasses and in a shorter period of time whether or not it is included in the partnership agreement.

Finally, as stated by William Cooke in his book Labor Management Cooperation (1990), labor management cooperation programs have several common characteristics. First, these programs are very similar in structure and activity, regardless of program title. They revolve around team or group activities in which hourly and salaried employees put their heads together on a fairly regular basis. Second, their challenge is to identify problems and opportunities for improvement in the workplace and, in turn, to develop plans for resolving problems or making improvements. The programs all appear to tackle issues surrounding productivity, product quality, efficiency, and job security concerns. These programs also deal with the structure of the work and bargaining environments. Thirdly, most of these programs also have steering committees involving union officials. Finally, most restrict activities to issues not governed by the labor contract, most are voluntary, and most provide training for team members.”<sup>20</sup>

The differences in these programs have more to do with style and less to do with the goal of the program.

The differences found within these programs surround; (a) the intensity of activity (proportion of employees involved, amount of training, frequency of meetings, etc.), (b) the degree of emphasis placed on selected performance related factors; (c) the amount of autonomy and decision making authority granted to teams; (d) the degree of union leader input; and (e) whether or not there are financial incentives, either tied directly (gainsharing) or indirectly (profit sharing or stock ownership) tied to employee participation.<sup>21</sup>

The differences in these programs involve the power and control exerted by management. Some programs are very front-line employee driven, whereas others take a more traditional top-down approach. These programs are generally the most successful of all labor management programs.

## **Motivation for change...**

In this era of reinventing government, our nation's citizens need and deserve high-quality, cost effective state and local government services. Further, the imperative to compete in an increasingly worldwide economy and to respond to an increasingly worldwide economy and to respond to increasing societal demands requires that governments at all levels perform in a timely and cost-effective manner. Robert Reich – U.S. Secretary of Labor.<sup>22</sup>

Despite the fact that labor-management cooperation has many benefits including improved productivity, cost-savings, efficiency and a general improvement in labor relations, there are additional pressures to change.

One of the most coercive is the current drive toward privatization. This movement has pushed many in the public sector to look for a way to reinvent government to avoid privatization. This drive toward privatization has resulted from the current pressure on the public sector to provide expanded and higher quality service while maintaining or decreasing total capital investments. Furthermore, the current trend of streamlining bureaucracies and reinventing government to incorporate the “entrepreneurial spirit” of the private sector is increasing pressure to take tasks out of the control of the perceived inefficient public sector.

There is also increasing challenges as communities grow more complex and more diverse, as environmental pressures grow and as technology changes the way people live, work and communicate.<sup>23</sup> This has produced a growing awareness of, and demand for, quality services. Several other forces of change as listed in Working Together for Public Service include, first, financial pressures requiring more cost effectiveness and better delivery of services. Second, the antiquated procedures of the past that still exist for budgeting, personnel, and labor relations that do not easily permit a focus on service delivery. These older accounting systems, stemming from traditions and practices developed in a different era, are many times problematic to labor-management cooperation because they do not allow government agencies to fully understand how productive they are and how competitive they are in the public sector. Third, a highly educated public workforce, which shows a strong interest in participating in workplace decisions is encouraging labor-management cooperation. Today's worker is more

educated and willing to work in cooperation with employers. Public sector workers tend to value interesting work where they can feel a personal investment. Finally, in the public sector, the pressure to perform better is forcing labor and management to examine relationships that have traditionally been conflictual. Today, workers, the public, and unions expect more out of the government and its services. Public employee unions, nationally and locally, support workplace innovation and service improvement. Furthermore, in the public sector, there is generally a less adversarial labor-management climate than in the private sector. Despite rhetoric to the contrary, there is a willingness among many elected officials and managers to work with the workforce and with union leaders. This has led to a growing realization that labor and management are in “this together.” They must work together and contribute their respective influence, knowledge, and skills to improve public service.



## **The myth of “contracting out”:**

“Faced with limited resources and the need for high-quality, cost-effective services, governments increasingly are exploring the notion of contracting out some public services to private businesses.”<sup>24</sup>

One of the greatest challenges to the public sector now is the impetus to “contract out” traditional tasks of the public service. Contracting out as an alternative for cost reduction or service improvement has created a variety of pressures and responses; many of which vary from common perceptions on the subject.

Despite the perceptions of the popular media about contracting out as a money saving technique, any increase in the level of savings by contracting out is far less than the popular literature and media are portraying. Contracting out does not appear to be as quick or easy as it is often reported. Contracting out can only be effective as a long-term measure. It is not effective as a quick fix.<sup>25</sup> Furthermore, private sector costs are not necessarily lower than the cost of providing the service within the governmental structure. This is so because there is also a lack of adequate financial and performance data to actually measure cost and quality in order to know whether a bid performance represents an improvement in cost or quality of service. A level playing field is needed – level cost calculation methodology. Finally, the presumption that quality is lower when done by government is more attributable to current public opinion than fact. This is seen throughout all levels of the public and the government. However, even some of the harshest advocates of privatization can become supporters of the public sector.

The Department of Labor report showed numerous examples of cases where the public sector, when challenged to change, was able to provide service at higher quality, lowered cost and improved efficiency over the private sector contractors. In many cases, the public employees were able to produce better cost and quality results than private competitors.<sup>26</sup> Even some of the most supportive proponents of privatization have been surprised by the results of the public sector. For example, mayor Stephen Goldsmith of Indianapolis was elected on a platform widely based on a privatization plan for the city government. However, things changed as labor leaders and members of the public sector management challenged the mayor for one last chance. What developed was one of the

most successful labor management programs in the nation. According to Goldsmith, "I was increasingly impressed with the inherent ability of our own [union] employees to perform better when the system allowed them to; I underestimated what they could do if we unloaded the bureaucracy off the top of their heads."<sup>27</sup> The Indianapolis program is a model for a city labor-management partnership program and is discussed in more detail later in the paper.

Contracting out has become a popular topic in the labor market. However, there is still much research that must be done in order to fully reach a verdict on the value of this process. A listing of current observations on contracting out is listed in the Appendix.

## Changing the Culture

“A labor-management cooperation venture is similar to a marriage. Each partner brings to the relationship his own values, rituals, priorities and habits. The marriage will survive and prosper only to the degree that the couple learns to understand and honor their different backgrounds and ultimately form a partnership blending those two perspectives into one.”<sup>28</sup> M. Scott Milinski, Director of Employee Relations for the city of Fort Lauderdale, Florida

“Elected officials, administrative professionals, managers, union leaders, and the organizations that support each of them, and which prepare them for and chronicle their interactions, all have an obligation to each other and to citizens to take up the challenge: to break the traditional habits of hierarchy, bureaucracy, confrontation, and over-reliance on formalities, and begin now – even while protecting their capacity to exercise their responsibilities – to develop the cooperative and participative patterns in the public workplace and in labor-management relations that support innovation and mutual focus on excellence in public service.”<sup>29</sup>

Labor-management cooperation involves a major change in the workplace culture. It is a large adjustment and both parties must be aware of where the other is coming from in order to make this program successful. Table 1 clearly shows the differences between traditional union and management beliefs about the work environment. The table was adapted from “Obstacles to Sustaining a Labor-Management Partnership: A Management Perspective” by M. Scott Milinski, in Public Personnel Management for spring 1998.

Cooperative labor-management relations involves change – change in the way decisions are made and change in the workplace.<sup>30</sup> A true labor-management partnership produces an environmental change. As shown in table 1, the entire thought processes of an organization are changed around this new way of thinking. “It is a new way of doing things.”<sup>31</sup> This change is fundamentally hard to deal with because it changes peoples’ traditional roles and comfort zones in the system.

For example, the supervisor or manager who has succeeded with and enjoyed an authoritarian management style may find the idea of employee participation and consultative management very threatening. In many cases, the supervisor must accept a

new less “powerful” role. The supervisor must adapt to a system where the traditional supervisory role is changed to a more advisory and facilitatory role.

**Table 1. Cultural Differences**

Union	Management
Egalitarian – few distinctions between members, all are treated the same	Hierarchical – more distinctions between people, levels of control, chain of command
Democratic decision making by members	Decision making by few
Security through mutual protection, “an injury to one is an injury to all”	Security based on competition, each gets what one deserves, individualism
Seniority is basis for deciding among members	Performance is basis for deciding among members
Goals: job security, quality of work life, safety, better wages and benefits	Goals: productivity, approval from voters, low tax rates, customer satisfaction
Past practice and precedent control actions and decisions	Pragmatic, what works best now

Adapted from: “Obstacles to Sustaining a Labor-Management Partnership: A Management Perspective  
 Scott M. Milinski. Public Personnel Management. 1998: Spring: Vol. 27 (1): 13.

The union steward also faces challenges. For the union steward who is used to a confrontational model and is effective at challenging management decisions through the grievance procedure, the idea of collaborating with employees he represents on management problems using consensus building is inconsistent with the normal perception of the union steward’s role. The union steward must change his role to that of a moral leader, motivator, and coordinator. However, their traditional role as an advocate does not disappear and remains important. Most partnerships see a dramatic decrease in grievances due to labor–management cooperation and therefore the steward’s resources are utilized in places where they can be more effective such as promoting worker initiatives.

The local union president must put aside traditional political instincts to be the militant fighter against management and agree to cooperative programs. The common perception is that union leaders will fear joining a labor-management partnership because it will look too much like co-optation. However it is often the union leadership that proposes the initial changes necessary to produce a labor-management partnership. Most union officials find that despite their initial misgivings, labor management cooperation actually increases the respect that both the employees and management have for the union.

Finally, for the blue collar employee who feels disengaged from work, and who satisfies most of his human needs away from the job, the idea of sharing his intelligence, imagination, and enthusiasm with his supervisor or fellow employees is an invasion of his privacy and not a part of the agreement made when hired - on.<sup>32</sup> Such, employees have to see the incentives of the program and be motivated by some factor to join. Whether it be the preservation of their job or finding this to be a way to get more freedom and gain self-actualization from their job, there must be a motivating factor. The challenge is to bring all these parties together in a forum where they can work together. There are obstacles to labor management cooperation, but they can be overcome and the changes seen from this are worth the effort.

## **Management Perspective**

From the management perspective, labor management cooperation is at times a difficult proposition due to its radical design when compared to traditional labor-management techniques. It is a proposition that carries many benefits, yet requires the cooperation of middle management: those who are most adversely affected by labor-management cooperation. Labor-management cooperation requires middle managers to adjust from a supervisory role to an advisory role. This, many times, conflicts with their traditional training and what has been encouraged and helped to promote them in the past.

There are several managerial benefits to labor management cooperation. The greatest benefits have been reported in improved efficiency and higher productivity. This includes possible reduction of costs for materials, overhead, and those associated to rework and waste. Higher productivity also reduces labor costs by making the production process more efficient. This, in turn, leads to improved product quality and service to customers.

Labor management cooperation programs have also been shown to improve employee relations by enhancing communication and providing more satisfying relationships with employers. This helps to generate a closer alignment between worker and organizational goals. Many find that the improved working environment created through a prosperous cooperation effort also leads to a reduction in tardiness, absenteeism, turnover, and grievances.<sup>33</sup> Lastly, cooperative efforts can potentially increase worker commitment to, and identification with company goals, which can lead to more aggressive efforts by employees and union leaders at being more productive and at improving workplace practices.

From the management perspective there are several areas of challenge and cause for concern. Minor obstacles include added costs for reorientation and training of managers, employees, and union representatives and a feeling of wasted time spent in meetings. These are mostly transient costs and are more than made up through the gains of the overall program. The largest and most difficult cost involves middle management. By design, labor management cooperation programs shift the role of the manager from a

supervisory role to an advisory and facilitatory role. Therefore “management must be firmly committed to helping its side understands its new roles and providing the support and skills to be successful in making the necessary change.”<sup>34</sup> There is a real perception of a loss of power and status combined with a feeling that there is a possibility of job loss. “Labor –management cooperation is a revolutionary change in the organization and managers will be threatened by this shift ... many managers feel that they have worked hard to get to the top of the organization and they do not want to risk their status and position by giving up control and authority.”<sup>35</sup> Milinski further stated in an interview that the key is to encourage the management, provide them with training and guidance, and to keep communication lines open at all times.

## **Labor Perspective**

From a labor perspective, labor-management cooperation can bring many advantages to workers. For example, labor management cooperation programs improve working conditions by improving employee-supervisor relations by giving the worker more say in how work is carried out. This leads to a heightened dignity, self-worth and pride in work for the employee. Improved employee-supervisor relations have also been shown to reduce grievances and bring quicker resolution to problems. Furthermore, in some programs, the employee experiences enhanced financial rewards from gain sharing and other incentive relationships.

Unions also have much to gain from labor-management cooperation. Labor leaders have shown enthusiasm for the improved communication that comes with the program. Labor unions report reduced day-to-day contract administration problems, along with more influence and involvement in managerial decisions. Labor leaders also report increased satisfaction from rank and file due to the improved position of the union.

There is, however, a great risk in the initiation of these programs. For the worker, there may be a feeling of unwanted peer pressure to be involved, or to not be involved.<sup>36</sup> There may also be a suspicion of displacement, or loss of employment from increased productivity and efficiency. It has been found that the most successful programs are those that guarantee no layoffs for workers. Although, the employees must be flexible and prepared for possible job transfers.

From the union perspective, despite its advantages, labor management cooperation is still a big step, especially for more traditional "hard-line" members. This is because cooperative efforts are seen by many as co-optation by management. It can also be seen as undermining traditional roles of unions and collective bargaining. This must be covered carefully in the contract. The best programs make a clear distinction between what will be covered by the LMC agreement and what is to be left solely to the bargaining process. This process also complicates the political aspect of unions. There is a fear of election loss and a loss of member commitment and union influence.<sup>37</sup> What has been seen is that labor management cooperation efforts generally increase the popularity of the union. It is from the fear of great change and its consequences that this apprehension originates.



## Mechanics of Success

Cooperative labor management relations produce fundamental changes in the working environment. An environment of labor-management cooperation allows both labor and management to place a greater focus on the service impact of the relationship and how this is affected by the bargaining relationship. There is also a reduction in conflict that results from increased and more open lines of communication. There is also a reduced reliance on legalistic formal means of resolution and fewer formal grievances.

The subject of collective bargaining can be touchy to labor management agreements. Collective bargaining in many areas is left out of the agreement or the designation between what is bargainable and what is not bargainable is clearly defined. However, even in relationships where the process of collective bargaining is left completely out of the labor-management agreement there are many indirect benefits from labor-management cooperation. These include faster contract settlement and more flexible contracts designed to accommodate cooperative ventures. Moreover, settlements are achieved faster because of the more open environment.

In relationships that are more open to the cooperative mindset, there is a predominance of “win-win” and “collaborative bargaining” rather than traditional bargaining. The adversarial context, however, is not lost. Furthermore, both parties are still effective advocates for their constituency’s interests.

According to Jennings, Smith, and Traynham in their book entitled Labor-Management Cooperation in a Public Service Industry, there are five major defining points of labor management cooperation.<sup>38</sup> They are listed as follows:

1. A conviction on the part of management that the union as an institution is both willing and able to cooperate to lower costs and increase efficiency.
2. A willingness on the part of the company to share some vital managerial functions with representatives of the union.
3. An eagerness of the union’s part to be a production-boosting agency in return for tangible and intangible benefits for the union and its members.
4. A resulting relationship in which the parties assume joint responsibility for solving production problems and eliminating obstacles interfering with greater efficiency

5. Outward manifestations of mutual trust and respect coupled with expressed confidence that the partnership of union and management in improving efficiency “pays off” for both parties.

The generous outcomes of labor-management cooperation are not without barriers and problems that must be tackled in the implementation of the program. The largest source of friction in any labor management agreement is “lack of trust.” The literature and testimony repeatedly suggest that cooperative efforts between unions and employees are based on “fairly uneasy or delicate partnerships and that sufficient trust between managers and unions leaders must be developed over time.”<sup>39</sup> These relationships must be based on trust because without sufficient trust, commitment is hard to attain; and without sufficient commitment, high levels of trust are unobtainable. Buildup of mistrust often arises from a history of difficult workplace relationships, recent campaigns, impasses, or other conflicts. These conflicts often lead the parties involved to rely on traditional legalisms and formalities: the formalistic traditions of personnel/practices and labor relations.<sup>40</sup> It is in these times of challenge that the parties are most often likely to fall back on their old ways. Building trust is a delicate issue but it must be performed. According to Scott Milinski of Cooperative Association of Labor and Management (CALM) in Fort Lauderdale, FL, “trust is essential to the survival of the partnership . . . the group must be unified as a team and prepared to “call another out” if it becomes necessary, especially, if there behavior is not for the better of the group.”<sup>41</sup> Furthermore, if an issue becomes too troubling, it is sometimes helpful to drop the issue and come back to it later. “Sometimes the relationship is more important than the issue.”<sup>42</sup> The preservation of the group is critical.

Secondly, “loss of union support” or “loss of plant management support” can limit the expansion of the participation process.<sup>43</sup> It is not hard to imagine how this can cripple a working relationship. Another equally difficult barrier occurs with both leaders and mid-level managers. Union leaders are unwilling to support the program if they see it as a threat to their position or as an attempt to bust the union. Mid-level managers often feel threatened because the team orientated and participative arrangements change their traditional roles. “In a successful and stable labor-management partnership, labor and management agree to assume and allow new roles for managers, workers and their

representatives in workplace decision making.”<sup>44</sup> The partnership must be developed in concert with all the affected parties in a manner that will recognize the challenges facing all the parties involved.

A third fundamental problem arises with the disenchantment and demoralization that occurs when anticipated or hoped-for gains are not obtained. Administrators of these efforts must realize that these will be ventures of successes and failures. Employers must remember to motivate the employees not to go back to traditional ways at the first sign of a failure. However, it has also been shown that this should be left open as an option in order to gain the employees trust. More often than not, the employees will not choose to return to the traditional practices if the opportunity presents itself.

Another major barrier for these programs is the training and effort that must be put forth at the onset of the program. Parties must be trained in the necessary skills for carrying on cooperative relationships. These include skill building in the following areas: problem solving, presentations, meeting management, public relations, process improvement, and conflict resolution.<sup>45</sup> Otherwise, the parties have a tendency to fall back on their traditional practices.

Finally, there are several political considerations for those implementing labor-management cooperation. These include the intent to contract out, scope of bargaining, pensions, and financial security. Labor and management need to clearly define how these topics will be handled in order to remove animosity and confusion.

The union also need at least three safeguards; participation of union stewards on employee-input committees, the right to grieve any action, and the capability to voluntarily remove support from any labor-management cooperative activity.”

Finally the most successful programs are based on a parallel structure. This includes equal membership of labor and management representatives, voluntary participation, and joint decision on the structure and processes of cooperation. Although adversarial aspects of the workplace remain in the area of bargaining, a far different climate can result when the relationship is based on cooperative and service - orientated principles.

## Success stories

Cooperative programs result in large-scale improvements, major cost savings, better labor-management relations and more loyal, creative, and satisfied employees. Labor-management cooperation programs exist in many different forms covering a wide array of issues. Programs have been developed to cover topics from health care to maintenance of city parks to sanitary districts. Several programs have become successful in recent years in places such as Peoria Illinois, Madison Wisconsin, Ft. Lauderdale, Seattle Portland, and Phoenix.

### Phoenix, Arizona

The city of Phoenix, Arizona provides an example of one of the longest running attempts at labor-management cooperation. Before 1978, the city had a long and contentious period of labor-management relations for nearly 40 years. Then in 1978, upon election of a new fire chief and union president, it was agreed that it was time for a change. Their drive and motivation eventually produced the successful program that Phoenix has today. This initiative created a change in thinking, process, and action. The basis of the effort focuses around joint annual planning retreats where labor and management meet and discuss projects and plans for the future year. The program really took off in 1984 when labor and management received training by the Federal Mediation and Conciliation Services (FMCS) in "Relationships by Objectives" (RBO). Former FMCS director John Calhoun Wells has described the program as the "conflictive partnership" approach.<sup>46</sup> Conflictive partnership is the middle ground between peaceful co-existence and full interest-based relationships. It is the intermediary between the traditional top-down labor-management relationship and the bottom-up design of the labor-management partnership. Since the intervention of the FMCS, the program has seen every contract negotiated without an impasse being declared. There has been an increased level of understanding, cooperation, and employee moral. In 1993, the city of Phoenix shared the Bertlesmann prize as "The Best Run City in the World."<sup>47</sup>

Since 1993, the program has spread to other departments including the police and the public works department. The main goal of the program in the police and fire departments was to improve relations. The public works project was able to successfully compete against privatization. The combined efforts in all three departments have saved the city over 3 million without any layoffs.<sup>48</sup> The public works department has successfully underbid private contractors on almost all contracts up for privatization. Furthermore, of those initially lost, most have been regained under the city's control.

#### Peoria, Illinois

In Peoria Illinois, during the early 1990's, health care was becoming an increasing financial burden and the strain on the budget was becoming unbearable. In 1993, the average increase for health care costs was nearly 18 percent per year.<sup>49</sup> Management provided solutions with limited appeal: either pay higher deductibles or implement a cost-sharing program.<sup>50</sup> In 1992, several of the city's contracts with local unions were up for re-negotiation and the issue of health care literally ground them to a halt. Union officials held strong and management did not see any solution in the near future. Therefore with no solution in sight, several labor and management representatives brought in William E. Hembree of Health Research Institute of Concord, California to serve as a facilitator on this issue.<sup>51</sup> The efforts of Hembree lead to the formation of the Joint Labor-Management Health Care Committee. This would be a committee formed by two labor co-chairs and one management co-chair with unanimous consent by the co-chairs required for decisions to pass. The committee would also contains 9 labor and 9 management representatives that would serve as voting members who would advise the co-chairs. After initial meetings and training sessions with Hembree, the committee started on its arduous task. In 1994, during the first real tests of their labor-management committee, health care costs were reduced from 6 million to 4.8 million and further cost savings during the first four years exceeded 2.5 million.<sup>52</sup>

This program has resulted in several accomplishments including the maintenance of premiums at nearly the same level for the last four years. The plan has also moved from an indemnity health care plan to one of managed care with preferred providers,

utilization review, and an emphasis on wellness and education. Furthermore, due to the overwhelming success of the program during the first three-year period, health care has been left with the Joint Labor Management Health Care Committee for a second three-year program. "A primary result of the cooperative effort has been a shift away from adversarial decision making about health care to one based on cooperatively and jointly owned decisions."<sup>53</sup> It should be recognized that this was a large step for both labor and management. This meant taking a precedent setting step of removing health-care from the bargaining table to negotiate and improve it. It is important to note that this plan developed in an area where there was an extremely high-level of mistrust arising from a history of difficult relationships.

Commitment of leadership, training, and neutral third party facilitation were elements that had a positive effect in Peoria. Sustaining a cooperative labor management effort was a function of leadership from both labor and management. Management respected the role of the union and authority was shared between the parties. This respect for the role of the union, as well as the sharing of authority, were critically important elements. This is especially important considering the past bargaining history for this area.

The work of the Joint Labor Management Health Care Committee has served as a guide when attempting to resolve problems and achieve goals in other areas of city government. The committee shifted the approach to collective bargaining toward interest-based or collaborative bargaining and away from the traditional bargaining style. Finally, this has led to quicker contract settlements and a willingness to discuss issues involving informal commitment without fear of setting a precedent.<sup>54</sup> A secondary result was quicker labor contract settlements. Finally, this program was recognized as a national semifinalist in the Ford Foundation/Harvard University 1997 Innovations in American Government Award Program.<sup>55</sup>

#### Madison, Wisconsin

In Madison Wisconsin, a different set of circumstances led to application of a labor-management initiative to improve a customer service issue. The issues centered around the city's building inspectors and private electrical contractors. The situation had

developed to the point that there was so much animosity between the inspectors and the contractors that the inspectors were gaining the nickname “Dr. No.”<sup>56</sup>

In order to alleviate this problem, the city developed a training program in conjunction with the electrical contractors and inspectors in order to train the front-line inspectors in the rules of the code. By changing roles from “policeman” to “consultant”, inspectors have built goodwill among clients. Inspectors now are able to suggest fire safety standards not covered in the code, such as educating contractors regarding the potential for fires caused by neon lighting or the old-fashioned “knob and tube” wiring found in old buildings.

In summary the city has found that the compliance effort emphasizes education instead of punishment. It further enhances electrical safety and conserves resources. The program focuses inspection resources on safety outcomes, not inspection processes, and improves customer relations. The program has saved about 25,000 a year.<sup>57</sup>

#### Hampton, Virginia

The program of Hampton Virginia has nearly a ten year history. A decade ago, Hampton was quite a different place from the revitalized, sprawling, and fiscally sound community that it is today. Ten years ago, Hampton, Virginia had a municipal workforce of 1300, dwindling resources and stagnated population growth. The city reversed its decade long downturn by implementing a labor management co-operation program that focused on promoting qualities present in high-performance workplaces. This includes: “a clarity of purpose, a willingness to share power with employees and customers, a willingness to take risks and tolerate failures, and to remain focused upon results instead of activities.”<sup>58</sup>

The program redesigned the government by decentralizing the power structure, eliminating some middle management, and by streamlining inefficient processes. The program focuses at the employee level offering a gainsharing and reward program for employees who come up with novel techniques to streamline the government. The only stipulation is that 10 percent of the amount saved must go to the employees who made the cost saving suggestions. The program has saved the city more than 4 million since 1985.

## Multnomah County, Oregon

Even in an environment where labor management relations are considered to be good, improvements can be made. In August 1993, mayor Beverly Stein was elected on a platform of providing better service called, "Results Not Excuses." Her task was to find original and efficient ways to run the government and her efforts led to the development of RESULTS (Reaching Excellent Service Using Leadership and Team Strategies). The goal of the RESULTS campaign; "to empower managers and employees so they can provide quality service, practice continuous improvement and, above all, improve the county's ability to efficiently respond to the needs of its customers while improving the work life of its employees."<sup>59</sup>

At first, there was opposition from the union "I thought she was nuts. I thought that our workers were doing the best jobs that could be done,"<sup>60</sup> said Joe Devaeminick, president of AFSCME Local 88. After the first round of improvements, labor-management cooperation has produced over 160,00 in savings. The program is well on its way to becoming a success.

## Seattle – METRO

METRO, the mass transit and sewer authority for Seattle, Washington and King County has had a presence in the area for over a hundred years. The members of the area unions have experienced a long and contentious history following a series of impasses in the early 1990's. "Increasingly dissatisfied with their adversarial relationship, labor and management turned to interest based negotiations, seeking a more cooperative, service-orientated partnership."<sup>61</sup>

The program introduced interest-based bargaining and the last collective bargaining agreement was reached in one month as opposed to the usual two-year period. This program also divides employees into teams, often cross departmental or cross divisional with the goal of solving concrete problems and producing results. These teams were able to produce many significant cost savings. For example, "teams of workers,



represented by ATU Local 587, through a collaborative effort with management, were able to identify a number of cost savings in maintenance of the underground transit tunnel that runs through downtown Seattle."<sup>62</sup> They reworked the cleaning schedule and cleaning routes resulting in a much higher standard of cleanliness and appearance. The group also developed a plan to seal the granite floors of the tunnel for 150,00 less than the private bid. Chronic water leaks in the tunnel had ballooned into a bill of nearly 150,00 dollar a year. The METRO team devised an intradivisional team that found ways to reduce maintenance costs to around \$35,000 annually. Finally, the team corrected an ominous telephone answering system. Before the team tackled this problem, the average call time to the information system was 157 sec and answering about 50 percent of the 5 million annual calls. Now the average call is 65 seconds and over 90 percent of the calls are answered.<sup>63</sup>

#### Indianapolis, Indiana

The city of Indianapolis is another example of where public service employees, when challenged, out competed the private sector in a privatization attempt by the city government. When the current mayor, Stephen Goldsmith, ran for his first term, he vowed to engage in "wide-scale privatization" of the government.<sup>64</sup> Goldsmith believed that market forces and competition would eventually serve citizens better than what he and his staff called the government "monopoly."<sup>65</sup> However, once in office, Mayor Goldsmith quickly realized that competition, not privatization was the answer. The idea was to make each department, in effect, its own business that would compete with the private sector for bids. The city workers bid for their current contracts, as well as for new work, and work that was previously contracted out. The results have been phenomenal. For example, both the sign shop and fleet maintenance services are now performing work purchased by community organizations, by other governments and by local utilities.

The greatest successes have been seen in the sign shop, fleet maintenance, and the refuse collection services. The sign shop and fleet services have reduced waste and saved over 8 million. The refuse collection routes were reworked and worker productivity has doubled, saving the city close to 15 million.

The mayor was greatly skeptical at first, but soon became impressed with the performance of the employees. In fact, he stated that, "I was increasingly impressed with the inherent ability of our own employees to perform better when the system allowed them to; I underestimated what they could do if we unloaded the bureaucracy off the top of their heads."<sup>66</sup>

The results of the Indianapolis program have been phenomenal. "Since taking office in 1992, Goldsmith has reduced the city's operating budget by 26 million without raising taxes for the eight straight year and while investing more money in public service and infrastructure than any other time in the city's history."<sup>67</sup> Labor is also content with the package. "Using the private sector as a yardstick with which to measure ourselves, we're fine with that institutionally, but to simply say that the private sector is always a better answer, that's simply not true."<sup>68</sup>

#### Portland Maine - Hadlock Field

In the 1980's, the labor relations climate in Portland was adversarial, with over one-third of the city's Public Works employees, represented by Local 481, being laid-off in 1981. In 1990, the city of Portland Maine was again experiencing a financial hardship and many feared a repeat of the past. Therefore, City Manager Bob Ganley decided that there had to be a better way than layoffs. He took the initiative to form a 26-person labor management committee that included a broad range of workers including both front-line workers and management. The city achieved a 10 percent reduction in positions with no layoffs and workers actually received pay raises and benefit improvements, and taxes decreased four years in a row. The program that started in 1990 was proving to be successful but would soon receive its most challenging project. This project would also mark itself as the definitive project of the labor-management partnership.

In 1992, the city desperately wanted a minor league baseball team. The city eventually achieved its goal of attracting the team that would become the Portland Sea Dogs. However, funds were short of the expected 8.5 – 10 million that would be needed to build a stadium. The city handed the project over to the labor management cooperation

program. A team made up of Public Works employees and volunteers from other departments was formed to build the stadium (except for the steel structures and seating). Agreements were negotiated for work schedules and productivity incentives for stadium workers as well as their colleagues who provided basic city services during the stadium project. The parties worked out a special set of arrangements and via cross training, teamwork, and dedication the project was completed. The partnership developed a plan to build the stadium at 2.5 million, millions under budget and in only seven months, shorter than any private contractor promised. From the success and pride gained from this the city has completely revamped the Parks and Public works department, improved the bargaining situations and has seen this success spread to other departments.

The success of the construction company of Hadlock Field led the to develop the Construction Company which worked by the same basic principles that made the Field project successful: "teamwork, management and labor working together, flexible work schedules, incentives for completing each project within cost and quality objectives."<sup>69</sup> The Construction Co. has since prospered. It works to rebuild sidewalks, streets, sewers, and other work that would have normally been given to private contractors. They also work during the winter doing departmental maintenance and working on snow removal projects that would have performed by private contractors.

## Fort Lauderdale

One of the nation's most successful programs is the Cooperative Association of Labor and Management (CALM) of Ft. Lauderdale, Florida. The CALM program was instituted in 1993 when the city was experiencing flat revenues, budget cuts, and staff reductions in order to appease a very difficult public which was demanding tax cuts. This program has seen many great successes including<sup>70</sup>:

- Developing a model for work units to identify customer expectations and measure outputs
- Eliminating redundant equipment and vehicles resulting in a 400,00 savings
- Re-organization of the city's beach maintenance program resulting in a 12 percent increase in productivity.

- Retention of the contract for the operation and maintenance of the city's detention center
- Underbid private pipe-laying contractors, saving tax payers up to 4 million while expanding city work crews to replace contractors
- Saved the wastewater treatment services from privatization

This labor-management partnership is based on the philosophy of teamwork, cultural change, trust, free flow of information, removal of organizational barriers, and development of a high-performance workplace.<sup>71</sup> Trust, proper training at the right time, and acknowledging that conflict will remain are three ideals central to the implementation of this plan. It is critical to institutionalize labor-management cooperation into the conflict as soon as possible. Labor-management cooperation should become a way of life, not just a program.

#### State of Ohio

Labor-management cooperation "isn't about hitting home runs. This is about hitting single after single after single. You score a lot more runs that way," say Steve Wall, director of Ohio's Office of Quality Services.<sup>72</sup> In 1996, Ohio launched the initiative Quality Services through Partnership (QStP, pronounced "Q-step"), which derived from an earlier Total Quality Management Program. Since then, over 100 improvement teams have scored successes in increasing customer satisfaction and decreasing cost by reducing waste and improving productivity. The purpose of QStP is to transform state government into an organization where employees work together to continuously improve how work is done.

The two founding leaders of this program Paul Goldberg, executive director of the Ohio civil Service Employees Association (OSCEA), an affiliate of AFSCME and Governor George Voinovich, have worked hard to gain the support of the states five unions. As Voinovich states, "My feeling is that labor is key to this thing."<sup>73</sup> Voinovich had to overcome several obstacles including working with a skeptical and tight-budgeted republican legislature. Goldberg had to fight traditional arguments of union co-optation. Both leaders preserved and through the support of their peers have created one of the most comprehensive statewide programs in the nation. According to Doug Champion

Director of Management Services, National Governor's Association. "Ohio has shown that state government services can be made simpler, faster, and more cost effective. Ohio has produced dramatic and very real results – saving millions of dollars, reducing processing time, untangling red tape, boosting customer satisfaction, and creating a more fulfilling work environment. The QStP program is a model for the nation."<sup>74</sup> The program separates collective bargaining from its jurisdiction but as with most successful programs the two do run parallel. The improved communication and trust crosses over and improves the bargaining process, a trait common to all successful labor-management programs.

The program is based on a "Steps of Quality Plan," that will:

1. Build Awareness and commitment
2. Develop the plan and structure
3. Ready organizations for culture change
4. Empower problem-solving at all levels
5. Integrate quality in all systems as government's business philosophy.

The QStP State Steering Committee consists of equal numbers of union and management leaders and extensive training has been performed at all levels. The program has grown to include over 256 teams in 26 state agencies. There are many success stories and a comprehensive list can be found at the website for the state of Ohio at [Http://www.state.oh.us/quality/](http://www.state.oh.us/quality/). Some successes include stream lining of the order process for ODOT from 28 days to five days. Also, the average time to fill requests for bid was reduced from 12 to 5 ½ weeks. Environmentally, The Ohio Department of Natural Resources (ODNR) designed a task force to reincorporate the idea of bio-diversity back into its philosophy of management. Recently, the agency was recognized by the Environmental Forum as one of 14 states nationally to have developed a comprehensive statewide bio-diversity plan. In all the QStP has saved Ohio more than 100 million dollars since its inception in 1991.

The unique idea of the Ohio program is its focus on "hitting singles." One only needs to spend a little time on the website in the RESULTS Book to see that there are literally hundreds of example of areas where the public sector workers have improved inefficient processes, cut red tape, and improved overall customer satisfaction. This

program represents a true change of culture. Finally, the Ohio program sets itself apart from the rest by its well-developed internal recognition program. Every year, QStP puts on the Team Excellence in the Public Sector (TEPS) showcase to display excellence in work programs. This is a chance for members in one area and department to share ideas with others and help to spread cooperation and innovative ideas through the massive statewide network.

## **Conclusions:**

Increasingly labor management cooperation programs are emerging in governments of all sizes. These programs have shown amazing success and are leading the way in developing the model labor-management relationship for the 21<sup>st</sup> century. Labor-management cooperation is more than just a partnership or a program; it is a new way of working together. It breaks down traditional hierarchical labor-management relations models and replaces them with bottom-up structures. It produces a change of culture and many in the field adamant to state the necessity of this including Scott Milinski of Ft. Lauderdale, Florida and Steve Rosenberger of the state of Ohio.<sup>75,76</sup> Labor management cooperation that does not produce a change in culture has been found to be merely a stop-gap measure designed to be a band-aid for a problem. Throughout this examination, several ideas have emerged as key components of labor management cooperation and they are:

1. True cultural change
2. A bottom up philosophy, not top down
3. Effective and motivated leadership
4. Correct handling of the bargaining agreement
5. Proper training of management and employees
6. Effective handling of job security issues
7. Developing the correct tools to quantify work to the private sector

Labor-management cooperation is often built out of adversity. Initially, it requires strong leaders who possess a willingness to break down barriers and to push forth with new and radical ideas. In some areas, such as Phoenix, Arizona, the environment was so unpleasant that a cooperative partnership was immediately accepted. In other areas, such as the state of Ohio, the initial conditions were not strained labor relations, but were related to an overall restructuring and improvement effort, by former governor George Voinovich. There are always barriers to labor management partnerships, and they have been touched on throughout this paper. From the start, both labor and management are apprehensive for different reasons. The leaders of the best programs are those who can

convince labor leaders and middle management to commit to the program. In the majority of cases, these programs prove to be worth the effort needed to get them started.

Another concern is the handling of the collective bargaining arrangement. Successful programs make a clear distinction in the beginning as to how the collective bargaining agreement will be handled by the partnership. Many times, the collective bargaining agreement is left as an untouchable item at first because both employees and management are unsure of the viability of the new program. The substance of the bargaining agreement is too important to risk. Furthermore, both parties are hesitant to allow the collective bargaining agreement to fall under labor-management cooperation because this is where labor and management have traditionally seen themselves as having the most power and control. However, what has been found time and time again is that the new cooperative and open atmosphere produced by an LMC partnership combined with the increased level of trust lead to improved contract negotiations.

The biggest obstacle listed by those successful programs often surrounds the issue of mid-level management. This is often an issue of concern due to the radical change that must take place in the role of middle management. It all comes down to a matter of training for middle management. According to Rosenberger, "it is often painful for them but they have to do it or they will not be able to stay in the environment."<sup>77</sup> Middle management must accept their new roles and change in order to survive.

Training is a necessary component of all programs. Some, as the state of Ohio, train large groups of employees all at once. Ohio performs massive workshops yearly, and is working on training its entire workforce in cooperative techniques. Some programs such as Ft. Lauderdale take a more pragmatic approach and train employees in necessary skills when and where it is needed. Either way, training is necessary to facilitate the change in environment and thought processes that are essential to producing successful labor-management cooperation.

Many successful programs also develop employee safety nets and gainsharing programs. Safety nets ensure that employees will be laid off as a last resort or guarantee that none will be laid off. These programs offer employees the chance to move to other departments if their job is cut due to the program. Furthermore, they also offer training to allow employees more flexibility to move to other positions. Gainsharing or other



performance incentives are also very popular tools for these programs. Many programs will give employees a “gain-share,” or cash incentive, based on a percentage of the amount saved from the program, usually ranging from 30% to 50% of the savings incurred.

Developing better financial measurement instruments and budgeting practices to better support service improvement is also important. One of the problems that many have found is that a majority of accounting systems still used in the public sector today are antiquated and do not allow public agencies to adequately compare themselves to the private sector. “It is truly like the old apple and oranges adage. Once we corrected our old accounting methods to fully reflect the true cost of our program we realized that we really were economically competitive to the private sector,” states Milinski on the accounting procedures used at the Fort Lauderdale water treatment facilities. As in this example, many agencies have successfully fought off “contracting out” simply by analyzing and overhauling their archaic government accounting systems.

In closing, one can see that labor – management cooperation shows much potential and promise. It is something that has become very popular in the public sector and there are new programs developing daily. Labor – management cooperation is the way of the future for the American workforce. Creating partnerships gives the American public sector a renewed organizational capability. In closing, the model of the labor-management partnership as portrayed in the public sector will provide the ideal for labor-management relations in the 21<sup>st</sup> century.

## **Appendix:**

### Observations on contracting out:

1. Any increase in the level of contracting out is far less than the popular literature and media are making out.
2. Private sector costs are not necessarily lower than the cost of providing the service within the governmental structure.
3. Contracting out does not appear to be as quick or easy as it is often reported.
4. There is a lack of adequate financial and performance data to actually measure cost and quality in order to know whether either a bid or later performance represents an improvement in cost or quality of service.
5. The idea that public employee wage and benefit levels make it impossible to match private sector costs of the same service
6. The presumption that quality is lower when done by government is more attributable to current public opinion than fact.
7. A level playing field is needed – level cost calculation methodology etc.

Adapted from Working Together for Public Service, United States Department of Labor. (1996). p. 47-48.

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